

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**Forgame Holdings Limited**

**雲遊控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 00484)**

### **INSIDE INFORMATION**

## **IN RELATION TO THE PROFIT GUARANTEE RELATING TO THE ACQUISITION OF 69.84% EQUITY INTEREST IN THE TARGET COMPANY**

This announcement is made by Forgame Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to the announcements of the Company dated 24 April 2019, 24 May 2019 and 26 June 2019 (the “**Announcements**”) in relation to the Group’s acquisition of 69.84% equity interest in 北京西瓜互娛科技有限責任公司 (Beijing Xigua Huyu Technology Co., Ltd.\*) (the “**Target Company**”) and the issuance of Consideration Shares pursuant to the General Mandate. Unless otherwise stated herein, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcements.

Pursuant to the Investment Agreement, the Vendor, the KongZhong Group and the Target Company jointly and severally guaranteed and undertook to the Investor that the net profit after tax of the Target Company recognized by the auditor’s report issued by the audit firm mutually confirmed and agreed by the KongZhong Group and the Company, excluding the non-recurring profits and losses in the Target Company’s consolidated financial statements and the service fees to be incurred by the Target Group and the Company and its subsidiaries (the “**Actual Net Profits**”), which were to be jointly confirmed by the Company and the KongZhong Group, for the period from 1 June 2019 to 31 December 2019, the year ending 31 December 2020 and the year ending 31 December 2021 (the “**Guarantee Periods**”) would not be less than RMB43,000,000, RMB52,000,000 and RMB62,000,000 (“**Thresholds**”, and each of them a “**Threshold**”) respectively (the “**Profit Guarantee**”). Completion of the Transaction took place on 26 June 2019, pursuant to which the Company paid a cash consideration of RMB20,000,000 to subscribe the new registered capital of the Target Company allotted and issued a total of 22,268,908 Consideration Shares to KongZhong at the issue price of HK\$6.876 per Consideration Share, credited as fully paid,

pursuant to the Investment Agreement. All the Consideration Shares are held under an escrow account designated by KongZhong and will be released to KongZhong in batches subject to the Profit Guarantee for the respective Guarantee Period being fulfilled.

Since the date of Completion and up to August 2019, the results of the Target Company basically measured up to the Group's original expectation as and when the Investment Agreement was entered into. However, starting from September 2019, the results of the Target Company has been fallen short of expectation. In light of the downturn, the operation team of the Target Company launched various new marketing initiatives with an objective to attract new franchisees and new business partners, and signed service agreements with certain of such business partners in terms of business promotion and events, etc.. However, upon release of the unaudited consolidated management accounts of the Target Company as at the end of October 2019 as well as the various announcements made by the Company during late-October 2019, only a small amount of such agreements was recognized. In addition, certain parties who signed the agreements before September 2019 indicated their intentions to modify the terms of cooperation to reduce cooperation, and the newly approached franchisees and business partners cooperation had not been materialised. As a result of which, for the period from June 2019 to October 2019, there is a shortfall of approximately RMB41.7 million in the unaudited Actual Net Profits of the Target Company (amounted to an unaudited accumulated profit of only approximately RMB1.3 million being recorded) as compared to the Threshold as originally agreed under the Investment Agreement.

In view of the deteriorating business operation as at October 2019, the Group has tried to initiate active communications between the operation team of the Target Company and its business partners to explore ways to improve the situation. However, as the relevant business of the Target Company was primarily headed by Ms. LI Luyi, a former executive director and the former chief executive officer of the Company, whom the Group was unable to contact from late-October to early-November prior her resignation on 7 November 2019. The communications with the Target Company's business partners have made little progress. On 11 November 2019, Mr. HAN Jun has been appointed as an executive director and the chief executive officer of the Company in place of Ms. LI Luyi. With the appointment of Mr. HAN Jun, it is expected that the primary responsibility (including the operation of the Target Company) originally assumed by Ms. LI Luyi will be assumed by Mr. HAN Jun, and Mr. HAN Jun will lead the Target Company to improve its current performance. For further details, please also refer to the announcements of the Company dated 1 November 2019, 4 November 2019 and 11 November 2019.

Considering the rapid and unexpected deterioration in the trading position of the Target Company since October 2019, it is expected that the Actual Net Profits of the Target Company for the period from 1 June 2019 to 31 December 2019 may fall short of the Threshold of RMB43,000,000 and the Profit Guarantee for the period from 1 June 2019 to 31 December 2019 as contemplated under the Investment Agreement may not be fulfilled. For the purpose of assisting the Target Company to improve the current situation, the Group intends to provide certain financial assistance to the Target Company. At the same time, the Group maintains close communications with the Vendor, the KongZhong Group and the Target Company to come up with an appropriate compensation option should the Actual Net Profit for the year 2019 fall short the agreed Profit Guarantee as contemplated under the Investment Agreement.

**The information contained in this announcement is based on the preliminary assessment by the Company of the information currently available to the Company, all of which require further audit and discussions with the auditor. As such, the actual results of the Actual Net Profits of the Target Company may be different from this announcement. Further announcement will be made by the Company as and when appropriate in accordance to the requirements of the Listing Rules. Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.**

By order of the Board  
**Forgame Holdings Limited**  
**HAN Jun**  
*Chairman*

Hong Kong, 21 November 2019

*As at the date of this announcement, the executive Directors are Mr. HAN Jun and Ms. LIANG Na; the non-executive Director is Mr. ZHANG Qiang; the independent non-executive Directors are Mr. HOW Sze Ming, Mr. ZHAO Cong Richard and Mr. WAN Joseph Jason.*

\* *For identification purpose only*